Manitoba

Annual Report
2001 - 2002

Manitoba Farm Mediation Board

Includes 10% post-consumer waste

Minister of Agriculture and Food

Room 165
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

To His Honour
Peter Liba
Lieutenant Governor for
the Province of Manitoba

Your Honour:

I have the honour to submit herewith the Report of the Manitoba Farm Mediation Board for the period April 1, 2001 to March 31, 2002.

Yours truly,

Rosann Wowchuk
Minister

Manitoba

103-01070/

Agriculture and Food

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Honourable Rosann Wowchuk
Minister of Agriculture & Food
165 Legislative Building
Winnipeg, Manitoba, CANADA
R3C OV8

Dear Ms. Wowchuk:

In accordance with the provisions of the Family Farm Protection Act, I have the honour to forward to you The Annual Report of the Manitoba Farm Mediation Board for the fiscal year ending March 31, 2002.

Respectfully submitted,

Kenneth Caldwell
Chairperson
Manitoba Farm Mediation Board

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BOARD MEMBERSHIP

(as at March 31, 2002)

Name		Address
Kenneth Caldwell	Chair	Rossburn
Gaylene Dutchyshen	Vice-Chair	Gilbert Plains
Don Dewar	Member	Dauphin
Gerry Friesen	Member	Wawanesa
Wayne Jones	Member	Tilston
Bragi Simundsson	Member	Arborg
Fred Embryk	Member	Grandview
Carol Masse	Member	Fannystelle

OBJECTIVES

The Manitoba Farm Mediation Board (the Board) administers *The Family Farm Protection Act*, the objective of which is to aid farmers in protecting and sustaining their agricultural operations through difficult economic times. The Act was assented to by the Manitoba Legislative Assembly on September 10, 1986.

Under Part 3 of the Act, creditors are required to ask the court for leave before beginning legal action that would result in a farmer losing ownership or possession of farm land. This affects mortgages, liens, judgements, and agreements for sale. The Act allows the Board ninety (90) days to mediate a settlement and provide a report to the court prior to ruling on the leave.

Part 6 of the Act provides for voluntary mediation by the Board through a peer advisory committee. There is no requirement for either party to become involved, and it is not restricted to dealing with loans on farm land.

The Act is a basis for facilitating improved communication between creditors and farm debtors, ensuring that individual farmers receive fair and consistent treatment. Through mediation, alternatives are explored to develop viable financial proposals to the mutual benefit of all concerned.

GENERAL COMMENTS

The number of applications for mediation in 2001/02 was virtually identical (149 vs. 150) to the previous year. While the total net income on farms in Manitoba in 2001 was 138% of 2000 ($660 million vs. $478 million respectively), the margins in certain commodities remained tight resulting in the same level of applications.

Area seeded to wheat in 2001 continued similar to 2000 while barley acres declined. The area seeded to various oilseeds including canola, mustard seed, flax, sunflowers, soybeans and field beans increased in response to market conditions. Irrigated acres, particularly potatoes increased as did the area planted to alfalfa and alfalfa-grass mixtures.

The number of beef cows, pigs, sheep, hens and chickens, bison, goats and rabbits increased in 2001 over 2000.

Overall crop receipts increased by 13% over 2000 while livestock receipts in 2001 were 16% above a year earlier. Manitoba farm expenditures in 2001 were 5% higher than the previous year resulting in the 38% increase in net income.

While the overall or average net income increased between 2000 and 2001, many farms continue to face financial challenges in specific commodities as they attempt to diversify or switch to more profitable enterprises. The Manitoba Farm Mediation Board continued with its efforts in 2001 to stay informed of new and existing crop and/or livestock opportunities. The Board works very closely with Manitoba Agriculture and Food staff as well as with Manitoba Agricultural Credit Corporation and other lenders to assist farmers develop viable options for their farms.

ACTIVITY

Through consultation and mediation with farmers and their creditors, the Board tries to assist farmers in improving their financial situation. The Board reviews individual cases, provides management recommendations, and tries to mediate arrangements that leave farmers with a viable plan.

The Board also provides loan and lease guarantees, if necessary, to assist with mediated settlements. The provision and annual renewal of a guarantee is based on a viable financial plan, and an agreement from the farmers to meet performance conditions including budgeting, record keeping, risk management and proactive financial planning. The Board annually reviews the farm's progress in efforts to ensure that the farm remains viable and that the performance conditions are met.

In 2001/02 the Manitoba Farm Mediation Board plans to continue to:

- receive and provide mediation services on Applications for Leave to Foreclose and on applications for a Peer Advisory Review,
- consider new guarantees of loan and lease payments and/or security, in order to

facilitate completion of mediated settlements,
- review and consult on the financial progress of farmers that have existing guarantees, and to consider renewals of existing guarantees, and
- conduct regular meetings to consider the provision of guarantees and to improve upon the effectiveness and efficiency of the mediation process.

OPERATIONS

APPLICATIONS

Part 3: Applications For Leave

One of the Board's functions is to become involved in foreclosure proceedings. Under Part 3 of the Act, a lender who intends to foreclose on farmland must make application to the Court of Queen's Bench to obtain Leave to Foreclose. Copies of the application must be served upon the farmer and the Manitoba Farm Mediation Board within 30 days. The Board then has up to 90 days to analyze the case, conduct mediation with the farmer and lender in the pursuit of achieving an alternative to foreclosure, and to prepare a report for the Court.

Part 6: Peer Advisory Panels

Under Part 6 of the Act, a farmer or a creditor may apply to the Board to have a Peer Advisory Panel review the financial arrangements between the farmer and any or all of the creditors of the farmer. The purpose is to derive a suitable financial plan or to arrange for payment to the creditors, without mediation having to be initiated by legal proceedings.

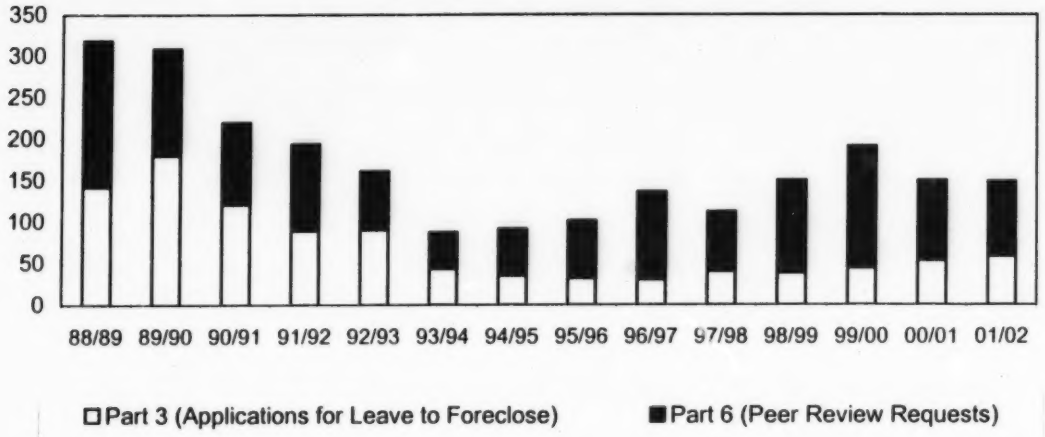
In 2001/02, the Board received 149 applications, representing 140 different farms. 138 of these farms were new cases to the Board, while the other two were already involved in mediation. Since its inception, the Board has received 2,708 applications representing approximately 1,968 farms.

Application levels decreased substantially from 1988/89 to 1993/94, but increased since then to remain fairly stable in the past few years at approximately 150 per year (see Table 1 and Figure 1). Part 3 applications increased in number for the third year in a row, however, while the number of Part 6 applications declined.

TABLE 1 – Applications Received

	1989/ 1990	1990/ 1991	1991/ 1992	1992/ 1993	1993/ 1994	1994/ 1995	1995/ 1996	1996/ 1997	1997/ 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002
Part 3	180	121	89	90	43	35	32	30	40	38	44	53	58
Part 6	129	99	105	71	44	56	69	106	72	112	147	97	91
Total	309	220	194	161	87	91	101	136	112	150	191	150	149

Figure 1 - Applications Received



Applications were received from all four agricultural regions of the province in 2001/02. There no significant difference in the rate of applications compared to the long term average (see Table 2).

TABLE 2 – Location of Farms Involved in Mediation

Agricultural Region	------- 2001/02 ------- No.	% of Total	-- Total, 1988/89 - 2001/02 -- No.	% of Total
Central	33	23.6%	438	22.3%
Eastern/Interlake	30	21.4%	471	23.9%
Northwest	32	22.9%	433	22.0%
Southwest	45	32.1%	626	31.8%
Total	140		1,968	

When the information is available, the Board records the type of farm involved in mediation based on the largest source of gross income at the time the case is opened. Despite continued low crop margins in 2001/02, there was a drop in the number of farms becoming involved with the Board that rely on cash crops for the majority of their gross income. There was an increase in the rate of applications from feeder cattle and specialty livestock, as well as farms which obtain the majority of their income from off-farm employment (see Table 3).

TABLE 3 - Type of Farms Involved in Mediation

Largest Source of Gross Income	01/02		Total, 97/98 - 01/02	
Beef Cows	14	14%	106	19%
Feeder Cattle	10	10%	13	2%
Hogs	11	11%	49	9%
Other Livestock	12	12%	33	6%
	47	48%	201	37%
Grain/Oilseeds	29	30%	253	46%
Forage	0	0%	9	2%
Other Crop	3	3%	12	2%
	32	33%	274	50%
Off Farm	18	18%	69	13%
Custom Work	1	1%	3	1%
	19	19%	72	13%
Total	98	100%	547	100%
Unknown/Not Recorded	40		125	
Grand Total	138		672	

MEDIATION RESULTS

The Board measures the effectiveness of mediation by recording the results at the conclusion of each case. The case is closed when a settlement is achieved or when the panel chair determines that a settlement is not possible at that time. All applications received while a case is open are considered part of the same case, so a single case may have more than one application.

The mediation process in 2001/02 resulted in a settlement in approximately 70% of cases (see Tables 4 and 5). This is lower than in previous years, an indication that in many cases the financial situation is getting more difficult to resolve without substantive changes to the farm operation.

TABLE 4 - Case Activity

	1999/00	2000/01 [R]	2001/02
Carryover from previous year	97	78	72
New cases opened	177	136	138
Total for Mediation	274	214	210
Cases Completed	196	142	152
Mediation in Progress	78	72	58

[R] Revised from prior report

TABLE 5 – Settlements Achieved

	1999/00[R]	2000/01[R]	2001/02
Cases Completed	196	142	152
Mediation not required*	48	43	48
Mediated	148	99	104
Settlements achieved	114	82	73
	(77%)	(83%)	(70%)

* includes withdrawn and deferred applications.
[R] Revised from prior report

AGREEMENT REGISTRY

The Act requires the Board to maintain a registry for agreements made between farmers and their creditors without the participation of the Board. Agreements reached by the Board are kept on file and are not entered in the Agreement Registry. There have been 25 agreements registered since inception of the program. There was one new agreement registered in the Agreement Registry in 2000/01.

GUARANTEES (SPECIAL FARM ASSISTANCE FUND)

The Special Farm Assistance Fund, delivered through five programs, is designed to enable a farmer to obtain the necessary financing or lease to complete a debt settlement and continue farming. It provides a safety net to farmers who can demonstrate viability but may still be vulnerable to negative financial changes in the short term after debt settlement. These programs are provided on a guarantee basis and cover future shortfalls for up to four years.

Before a guarantee is provided, the Board attempts to ensure all factors are considered in devising a viable plan. Once a guarantee is in place, the Board annually reviews the farmer's progress, recommending adjustments when necessary and discusses major financial transactions with the farmer before these transactions are made. The annual reviews include a detailed financial analysis and assistance to the farmer to develop and maintain a financial management record system.

Repayment is only required if a farmer sells his farmland within 5 years of assistance being provided and is limited to the amount of equity in the land. This is secured by placing a caveat on the farmer's land.

The five programs are:

		Maximum Guarantee
Program 1	Guarantee of Loan Payment	$10,000 per year
Program 2	Guarantee of Lease Payments	$10,000 per year
Program 3	Guarantee of Security Value	$40,000
Program 1:3	Combination of Programs 1 & 3	$40,000
Program 4	Emergency operating assistance	$10,000

During the 2001/02 fiscal year, the Manitoba Farm Mediation Board approved guarantees for 13 farm clients for a total of $419,786 (see Table 6).

TABLE 6 - Guarantees Approved in 2001/02

Year Payment Due	Program 1	Program 2	Program 1:3	Program 3	Program 4	Total
2001/02	$0	$0	$0	$0	$13,000	$13,000
2002/03	$73,393	$0	$17,862	$0	$0	$91,255
2003/04	$73,393	$0	$17,862	$0	$0	$91,255
2004/05	$70,000	$0	$17,862	$0	$0	$87,862
2005/06	$70,000	$0	$26,414	$40,000	$0	$136,414
TOTAL	**$286,786**	**$0**	**$80,000**	**$40,000**	**$13,000**	**$419,786**
No. of Farmers	8	---	2	1	2	13

Annual Review of Guarantees

In 2001/02, 58 farms with a total of 60 guarantees were reviewed as required by the program guarantee guidelines. Of these, 47 farmers were able to meet their financial obligations without calling on the guarantee. The province was required to make partial or full payment on the guarantees for the other 11 farms during the year for a total of $95,019 (see Figure 2 and Table 7). As a percentage of the outstanding liability, payments have been increasing since 1994/95, reaching 15% in 2001/02. This is due to a lower use of Program 3 guarantees by the Board, which entail a lower risk of claims by creditors.

The Board did not receive any funds from the producers under the repayment terms of the guarantees in 2001/02.

FIGURE 2 - Guarantee Liability/Payments Made

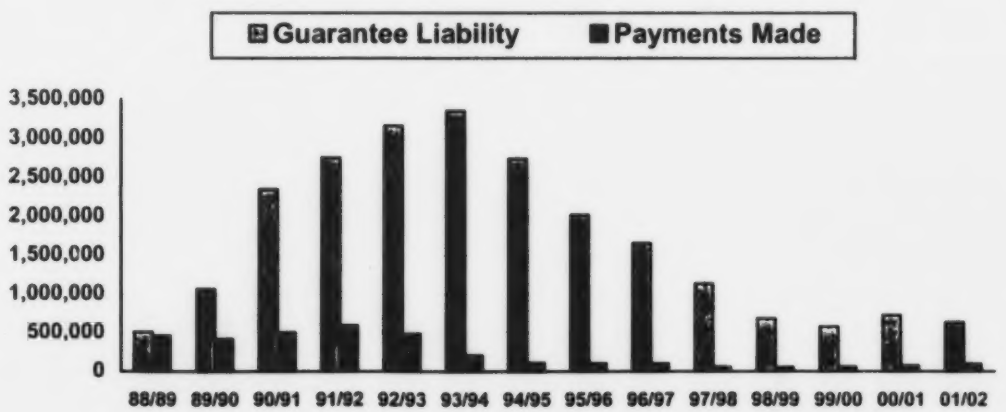


TABLE 7 Guarantee Liability vs. Payments Made

Year	Guarantee Liability	Payments Made*	% Paid
2001/02	$634,431	$95,019	15.0%
2000/01	$726,954	$72,509	10.0%
1999/00[R]	$577,859	$58,481	10.1%
1998/99	$686,182	$56,069	8.2%
1997/98	$1,134,274	$58,271	5.1%
1996/97	$1,657,006	$101,700	6.1%
1995/96	$2,020,137	$107,989	5.3%
1994/95	$2,741,245	$106,291	3.9%
1993/94	$3,354,264	$205,457	6.1%
1992/93	$3,159,969	$478,733	15.1%
1991/92	$2,754,254	$593,180	21.5%
TOTAL**	**$11,787,490**	**$3,169,206**	**26.9%**

* Total payouts. Since 1987, the Board has also been repaid a total of $153,637 under provisions of the guarantee agreements.

** As some guarantees remain for several years, the total liability since inception of the Board is less than the sum of the liability for individual years.

[R] Revised from previous report.

OPERATING EXPENSES

The Manitoba Farm Mediation Board's operating budget is, for the most part, used to cover the costs of mediation on applications and administration of the guarantee programs.

FIGURE 3 Administrative Expenses